**16 February 2011**

**Lo-Q plc**
**Preliminary Results for the year ended 31 October 2010**

Lo-Q plc ("Lo-Q" or the "Company"), the AIM listed provider of virtual queuing systems for theme parks and major attractions, announces Preliminary Results for the year ended 31 October 2010.

Lo-Q designs, installs and operates systems which allow members of the public to make ride and show reservations when they visit a theme park or other attractions. Lo-Q's flagship product, VQ2020, is a true virtual queuing system which uses hand-held units, called Q-bots, in major theme parks around the world. Lo-Q sites encompass 11 Six Flags theme parks in North America, Dollywood in the US, theme parks in Australia and Italy, as well as Legoland Windsor in the UK.

**Financial Highlights:**

- Revenue up 15.9% to £20.30m (2009 12 month pro forma*: £17.51m)
- Profit before tax up 18.4% to £2.32m (2009 month pro forma*: £1.96m)
- Profit after tax up 20.6% to £1.87m (2009 month pro forma*: £1.55m)
- Earnings per share:
    - Basic: 11.69p (2009 12 month pro forma*: 9.97p)
    - Diluted: 11.23p (2009 12 month pro forma*: 9.40p)
- Strong cash position: £6.02m in cash (2009: £4.44m); no debt

** Pro forma – represents unaudited comparative figures for the 12 month period ended 31 October 2009*

**Operational Highlights:**

- Appointment of new CEO, Tom Burnet, in October 2010
- 5 Contract extensions agreed
- Successful technical trials of Q-credits wristband technology in summer 2011

**Commenting on Outlook, Tom Burnet, Chief Executive Officer of Lo-Q, said:**
"I am confident that 2011, our 10th year of operations, has started well from a sales and pipeline building perspective and that operationally we are well positioned to deliver another strong performance this year. This, combined with an excellent new product in the final stages of development and exciting future technical roadmap to build on, give me confidence as we look forward to the 2011 trading season."

**Contacts:**

| | | |
|---|---|---|
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## Acting Chairman's Report

The published accounts for Lo-Q show that we had a good year in 2010. Revenues, customers, profits and cash all increased in line with our expectations, despite the challenging general economic climate both in Europe and the United States.

Operational activity was the driving force behind a strong performance in Customer parks. Product development also made significant progress in the area of new offerings which will be available, in the near future, to our Park installations as well as to new markets in both leisure and other areas.

The Company did not perform to expectation with respect to new park sales and has displayed weaknesses in marketing. Work was done to review our strategic position and the Board recognised the need to develop a cohesive longer term strategy for growth. The Board has acted to address these areas by implementing management changes and appointing a new CEO.

In the summer, we were delighted to secure the services of Tom Burnet as our new CEO. Tom joined us in October and is already making his presence felt. Much has been already achieved in developing a strong and cohesive management team that will, I am sure, be able to work together in taking Lo-Q to the next level. The forward strategy is already in outline form and will, along with the changes in sales and marketing, be the subject of further announcement in the near future.

I agreed to take on the role of acting Chairman when our previous Chairman left the Company. I would like to take this opportunity to thank all those staff and management at Lo-Q who have worked so hard to produce the results that we have announced and for the support shown to me in this role.

**John Lillywhite**
Acting Chairman

## CEO Statement

### Headlines

I am very pleased to be able to report a strong performance by Lo-Q in the year ended 31st October 2010. In spite of the tough prevailing economic conditions across the geographies in which we operate we were able to deliver a 18.4% increase in profit before tax to £2.32m (2009 12 month pro forma: £1.96m) and revenue growth of 15.9% to £20.30m (2009 12 month pro forma: £17.51m). Additionally, we have been able to end the year with a strong net cash position of £6.02m (2009: £4.44m).

This outcome was undoubtedly assisted by a combination of factors, but better weather and therefore stronger park attendances certainly bolstered our trading toward the end of the season. Across all our parks, visitor attendance was up an average 9% on the previous year.

Another key success driver was the introduction by two clients of a premium Q-bot service which was very positively received by Lo-Q customers with 15% of our users happy to pay more for enhanced service levels and shorter queue times.

During the year, we have also been able to invest in future product development and importantly carried out successful technical trials of our new Q-credits wristband based devices in water parks in the UK and Spain during the summer season. Looking ahead, we will be running at least two further large scale operational trials in water parks in the United States during the 2011 season.

In April our largest customer, Six Flags, emerged from Chapter 11 bankruptcy proceedings in the US, following a 10 month period of re-organisation. This has had negligible impact on the performance of Lo-Q and we are now encouraged by Six Flags substantial park investment strategy for 2011 with a number of new rides planned across their parks.

Perhaps the biggest disappointment of the year was the lack of Park sales success as only two small new parks were added in 2010, one of those installing our Q-bot system, the other deploying the Q-txt product. In terms of our existing business, we did secure the following Q-bot park contract extensions during the year:

LEGOLAND® Windsor (UK), for a further three years
Dreamworld (Australia), for a further three years
Mirabilandia (Italy), for a further four years
Dollywood of Tennessee (USA), for a further year, extended post yr end for a further 3 years

Moreover, Parque Isla Mágica in Seville, Spain, agreed on 26 March 2010 to extend its agreement to a one year rolling contract for the supply of Lo-Q's Q-txt queue management system. Overall however, Q-txt did not perform well during 2010. Performance was below budget and sales were below 2009 levels.

In February 2010, Jeff McManus stood down from the role as Chief Executive but continued in the role of part time Chairman of Lo-Q. In July 2010, Jeff ceased to be a Director of the Company and John Lillywhite took over as Acting Chairman. A further announcement about the role of Chairman of the Company will be made in due course.

Since my appointment as Chief Executive in October I have undertaken both strategic and operational reviews of our organisation.

**Strategic Review**

Strategically we have reviewed our current business and the market more generally, taking stock of our position and the opportunities that exist for the future.

Premium queuing packages are becoming standard in large parts of the theme park industry. Our Q-bot (VQ2020) product gives a park operator the opportunity to significantly increase the number of guests concurrently using a premium system compared with less sophisticated systems and therefore will maximise revenue to the park whilst improving the guest experience. Over the last 10 years we have developed a substantial track record of revenue and profit generation working closely with park operators and importantly, our existing customer base represents only about 8% of the world's top ten amusement park corporations in terms of number of attendees. Lo-Q's customers had about 26 million attendees in 2010 compared to 309 million attendees at the world's top ten amusement park corporations. The Board and I agree that there remains a substantial opportunity to sell this proven technology to more parks and we will be investing in our Sales organisation to ensure we maximise on this potential.

We will continue to invest in research and development of new products. Further to planned operational trials of our Q-Credits wristband technology in two large American Water Parks during the Summer of 2011, we will develop a sales plan to sell the technology to the Water Park market globally for the 2012 season. The product, even in early stages of development, was exceptionally well received by the market at its launch in November 2010.

We see great potential to leverage our overhead, global footprint, operational expertise and relationships by targeted acquisition of other technically led organisations working in the Theme, Amusement and Water Park sectors. These sectors have seen substantial change over the last 5-7 years as both corporations and Private Equity houses have started to consolidate the ownership of parks around the world. At the same time, the supply chain has failed to consolidate and we see merit in adding IP in areas that complement our own Queuing excellence to enable us not only to reinforce our position within our existing vertical but also to take our queuing technology to new and growing verticals which have the same need. We have identified a number of potential areas for this strategic expansion and will report further on this in due course.

**Operational Review**

We have implemented a new sales process and recruited experienced sales and marketing talent, who have decades of Industry experience in the UK and North America and of course, bring their networks of contacts. These changes have already started to bear fruit and we have in recent weeks signed Heads of Terms for the installation of our Q-bot system with three new theme parks – Blackpool Pleasure Beach in the United Kingdom; Parques de Attracciones in Madrid, part of Parques Reunidos and Heide Park in Germany, part of the Merlin organisation. Moreover, we are in advanced discussions with another park and I am confident that our sales pipeline is growing well in both quality and scale as we look ahead. Whilst new park sales tend to really start to deliver profitability in the second and outer years of operations this is an excellent start to the year. We have also secured a 3 year extension to the Dollywood contract.

As well as our attention to the sales function, we have established a prioritised product development roadmap and have a developing technology partnership strategy with some excellent collaboration already getting underway with cashless transaction systems and point of sale vendors. Similarly, we have initiated an HR review of the firm, with a remit to update our policies on staff performance management, training, salaries, benefits and share option schemes and importantly, a new sales incentive scheme.

We have also made a number of changes to our Board. David Gammon has been appointed as a new Non Executive Director and we have started our search for a new Chairman. The appointment of Canaccord Genuity as our NOMAD/broker is expected to bring a fresh exposure of Lo-Q to city institutions.

**Cash and Dividends**

Recent activity in the currency markets had seen increased volatility between the US dollar and sterling. The policy of the Board is to hedge what it believes to be an appropriate proportion of its dollar exposure and therefore we have not experienced any significant impact on trading performance in the year being reported on or expect any in the current year.

It is the view of the board that the payment of a dividend is unlikely in the short to medium term given anticipated new product and other investment requirements.

**Lo-Q workforce**

I would like to echo the Chairman's comments and to recognise the commitment and hard work of the permanent team and seasonal staff, totalling over 600, we employ across our operation. Without their unfailing enthusiasm and hard work, our performance would be impossible.

**Summary and Outlook for 2011**

I am confident that 2011, our 10th year of operations, has started well from a sales and pipeline building perspective and that operationally we are well positioned to deliver another strong performance this year. This, combined with an excellent new product in the final stages of development and exciting future technical roadmap to build on, give me confidence as we look forward to the 2011 trading season.

**Tom Burnet**
CEO

**Lo-Q plc**

**Statement of Comprehensive Income**
**for the year ended 31 October 2010**

| INCOME STATEMENT | **2010 12 Months Actual £** | 2009 12 Months Pro-forma £ | 2009 10 Months Actual £ |
|---|---|---|---|
| Revenue | **20,304,048** | 17,505,012 | 17,295,343 |
| Cost of Sales | **(15,262,254)** | (13,351,799) | (13,152,881) |
| **GROSS PROFIT** | **5,041,794** | 4,153,213 | 4,142,462 |
| Administrative expenses | **(2,728,395)** | (2,225,916) | (1,763,707) |
| **OPERATING PROFIT** | **2,313,399** | 1,927,297 | 2,378,755 |
| Finance costs | **(16)** | (49) | (27) |
| Finance income | **7,203** | 31,103 | 10,061 |
| **PROFIT BEFORE TAX** | **2,320,586** | 1,958,351 | 2,388,789 |
| Tax | **(448,077)** | (403,420) | (493,717) |
| **PROFIT FOR THE YEAR** | **1,872,509** | 1,554,931 | 1,895,072 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Exchange differences on translating foreign operations | **(40,965)** | 164,654 | (34,628) |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | **(40,965)** | 164,654 | (34,628) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **1,831,544** | 1,719,585 | 1,860,444 |
| Profit attributable to Owners of the parent | **1,872,509** | 1,554,931 | 1,895,072 |
| Total comprehensive income attributable to Owners of the parent | **1,831,544** | 1,719,585 | 1,860,444 |
| Earnings per share expressed in pence per share: | | | |
| Basic | **11.69** | 9.97 | 12.15 |
| Diluted | **11.23** | 9.40 | 11.45 |

All activities of the company are classified as continuing.

**Lo-Q plc**

## Consolidated Statement of Financial Position
**for the year ended 31 October 2010**

| | **2010 Actual £** | 2009 Actual £ |
|---|---|---|
| **ASSETS** | | |
| **NON-CURRENT ASSETS** | | |
| Intangible assets | **1,203,770** | 714,642 |
| Property, Plant, Equipment and Installed Systems | **178,488** | 64,076 |
| | **1,382,258** | 778,718 |
| **CURRENT ASSETS** | | |
| Inventories | **243,273** | 415,128 |
| Trade and other receivables | **828,736** | 657,044 |
| Tax receivable | **1,030** | 569 |
| Cash and cash equivalents | **6,018,443** | 4,438,612 |
| | **7,091,482** | 5,511,353 |
| **LIABILITIES** | | |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | **1,005,118** | 699,267 |
| Tax payable | **208,801** | 288,270 |
| | **1,213,919** | 987,537 |
| **NET CURRENT ASSETS** | **5,877,563** | 4,523,816 |
| **NET ASSETS** | **7,259,821** | 5,302,534 |
| **SHAREHOLDERS' EQUITY** | | |
| Called up share capital | **162,327** | 158,917 |
| Share premium | **5,132,482** | 5,052,149 |
| Capital redemption reserve | **12,473** | 12,473 |
| Other reserves | **129,148** | 87,148 |
| Retained earnings | **1,823,391** | (8,153) |
| Total equity | **7,259,821** | 5,302,534 |
| **TOTAL SHAREHOLDERS' EQUITY** | **7,259,821** | 5,302,534 |

**Lo-Q plc**

**Consolidated Statement of Cash Flow**
**for the year ended 31 October 2010**

| | **2010 12 Months Actual £** | 2009 12 Months Pro-forma £ | 2009 10 Months Actual £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | **2,987,770** | 1,868,007 | 2,172,832 |
| Interest paid | **(16)** | (49) | (27) |
| Tax paid | **(528,007)** | (28,161) | (13,040) |
| Net cash from operating activates | **2,459,747** | 1,839,797 | 2,159,765 |
| **Cash flows from investing activities** | | | |
| Purchase of intangible fixed assets | **(741,252)** | (348,879) | (309,748) |
| Purchase of tangible fixed assets | **(229,610)** | (42,907) | (36,359) |
| Interest received | **7,203** | 31,103 | 10,061 |
| Net cash used in investing activities | **(963,659)** | (360,683) | (336,046) |
| **Cash flows from financing activities** | | | |
| Share Issue | **3,410** | 5,707 | 4,456 |
| Share Premium | **80,333** | 51,086 | 51,086 |
| Net cash from financing activities | **83,743** | 56,793 | 55,542 |
| **Increase in cash and cash equivalents** | **1,579,831** | 1,535,907 | 1,879,261 |
| **Cash and cash equivalents at beginning of year** | **4,438,612** | 2,902,705 | 2,559,351 |
| **Cash and cash equivalents at end of year** | **6,018,443** | 4,438,612 | 4,438,612 |

**Lo-Q plc**

**Statement of Changes in Equity**
**for the year ended 31 October 2010**

| GROUP | Share capital | Retained earnings | Share premium | Capital Redem-ption reserve | Share based payment reserve | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| **Balance at 1 November 2009** | **158,917** | **(8,153)** | **5,052,149** | **12,473** | **87,148** | **5,302,534** |
| Profit for the year | - | 1,872,509 | - | - | - | **1,872,509** |
| Foreign exchange | - | (40,965) | - | - | - | **(40,965)** |
| Issue of share capital | 3,410 | - | 80,333 | - | - | **83,743** |
| Recognition of share-based Payments | - | - | - | - | 42,000 | **42,000** |
| **Balance at 31 October 2010** | **162,327** | **1,823,391** | **5,132,482** | **12,473** | **129,148** | **7,259,821** |

## 1. ACCOUNTING POLICIES

**Basis of preparation**

Lo-Q plc is a public limited company incorporated in the United Kingdom, whose shares are publicly traded on the AIM market. The Company is domiciled in the United Kingdom and its registered address is Thames House, Portsmouth Road, Esher, Surrey, KT10 9AD.

The financial period represents the 52 weeks and 1 day to 31 October 2010 (prior financial year 43 weeks and 5 days to 31 October 2009). The consolidated financial statements for the 52 weeks and 1 day to 31 October 2010 comprise the financial statements of the Company and its subsidiaries ('Group'). The Group's principal activities are the development and application of virtual queuing technologies.

**STATEMENT OF COMPLIANCE WITH IFRS'S**

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the group are set out below.

**The following new standard have been adopted during the period**

It has not been necessary to adopt any new standards during the year ended 31 October 2010.

**New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not effective for 2010 and therefore have not been applied in preparing these accounts:

Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions (effective 1 January 2010)
Amendments to IFRS 3 Business Combinations (effective 1 July 2010)
Amendments to IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations (effective 1 January 2010)
Amendments to IFRS 7 Financial Instruments: Disclosures (effective 1 January 2011)
Amendments to IFRS 8 Operating Segments (effective 1 January 2010)
IFRS 9 Classification and Measurement of Financial Instruments (effective 1 January 2013)
Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2010/2011)
Amendments to IAS 7 Statement of Cash Flows (effective 1 January 2010)
Amendments to IAS 17 Leases (effective 1 January 2010)
IAS 24 Related Party Transactions (revised) (effective 1 January 2011)
Amendments to IAS 27 Consolidated and Separate Financial Statements (effective 1 January 2010)
Amendments to IAS 32 Classification of Rights Issues (effective 1 February 2010)
Amendments to IAS 34 Interim Financial Reporting (effective 1 January 2011)
Amendments to IAS 36 Impairment of Assets (effective 1 January 2010)
Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 January 2010)

The Group has considered the above new standards, interpretations and amendments to published standards that are not yet effective and concluded that they are either not relevant to the Group or that they would not have a significant impact on the Group's Financial Statements, apart from additional disclosures.

**Basis of Accounting**

The financial statements of Lo-Q plc have been prepared in accordance with EU Endorsed International Financial Reporting Standards and IFRIC interpretations (IFRS) and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are noted below.

**Judgement and estimates**

The Group makes judgements and assumptions concerning the future that impact the application of policies and reported amounts. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed below.

**Impairment of assets**

Financial and non-financial assets including other intangibles are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on a calculation of expected future cash flows which includes management assumptions and estimates of future performance.

If there is an indication that impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which this asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of the future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Basis of consolidation**

The consolidated financial statements incorporate the results of Lo-Q plc and all of its subsidiary undertakings as at 31 October 2010 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions under IFRS3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

**Subsidiaries**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The results of subsidiaries are included in the Group income statement from the date of acquisition.

**Revenue Recognition**

Turnover arises from the development and application of virtual queuing technologies. Turnover represents either total rentals, net of sales taxes, to theme park or attraction guests or the Group's share of such rental. Total rentals are accounted for where the Group are responsible for the operation within the theme park.

Turnover also includes revenue from the financing of installed systems to new or existing theme parks. These systems are then leased back to the Group with the lease costs being recognised within cost of sales during the period or year as they fall due.

**Interest expense recognition**

Expense is recognised as interest accrues, using the effective interest method, to the net carrying amount of the financial liability.

**Employee expenses**

The Group has applied the requirements of IFRS 2 Share-Based Payment. In accordance with the transitional provisions, IFRS2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2007.

The Group issues equity-settled share-based payments to full time employees. Equity settled share-based payments are measured at the fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a Black-Scholes model for all share options in issue. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

**Exceptional items**

Exceptional items are presented in the financial statements where there are material items of income and expense which, because of their nature and the expected rarity of the circumstances, which generate them, they should be presented separately to shareholders so as to enhance their judgement of the current year's financial performance and its comparability with prior years.

**Commitments under operating leases**
Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

**Property, Plant, Equipment and Installed Systems**
Items of property, plant and equipment are stated at cost of acquisition or production cost less accumulated depreciation and impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

| | |
|---|---|
| Plant and machinery | 33.3% |
| Office equipment | 33.3% |
| Installed Systems | 33.3% |
| Furniture and fixtures | 20.0% |

**Inventories**
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Raw materials costs are calculated on a first in first out basis.

Work in progress is valued on the basis of the cost of raw materials and labour plus attributable overheads.

Net realisable value is based on estimated selling price less additional costs to completion and disposal.

**Deferred Tax**
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits ("temporary differences") and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Where there are taxable temporary differences arising on subsidiaries, deferred tax liabilities are recognised.

Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Where there are deductible temporary differences arising on subsidiaries, deferred tax assets are recognised only where it is probable that they will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient tax profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

**Research and development**
In accordance with IAS 38 'Intangible Assets', expenditure incurred on research and development is distinguished as either to a research phase or to a development phase.

All advanced research phase expenditure is charged to the income statement. For development expenditure, this is capitalised as an internally generated intangible asset, only if it meets strict criteria, relating in particular to technical feasibility and generation of future economic benefits.

Development expenditure is capitalised and amortised on a straight line basis over its useful economic life, which is considered to be up to a maximum of 5 years.

**Intellectual property rights**
Intellectual property rights comprise assets acquired relating to know how, patents and licences and have been capitalised at the fair value of the assets acquired and are amortised on a straight line basis over their estimated useful economic life of 5 and 7 years.

**Foreign currency exchange**
Transactions in currencies other than the functional currency of the Group are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and movement shown in reserves.

**Pension Costs**
Contributions to the Group's defined contribution pension scheme are charged to the profit and loss account in the period/ year in which they become due.

**Trade and other receivables**
Trade and other receivables are recognised by the Group and carried at original invoice amount less an allowance for any uncollectible or impaired amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are identified as being bad.

Other receivables are recognised at fair value.

**Cash and cash equivalents**
Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Short-term deposits are defined as deposits with an initial maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the consolidated cash flow statement.

**Equity Instruments re share capital**
Equity instruments are recorded at the proceeds received, net of direct issue costs.

## 2. TAX

**Analysis of the tax charge**

| | **2010 12 Months £** |
|---|---|
| Tax – Current Year | **448,077** |
| Deferred tax | **-** |
| Total tax charge in income statement | **448,077** |

Reconciliation of tax charge

| | |
|---|---|
| Profit on ordinary activities before tax | **2,320,586** |
| Tax at the UK corporation tax rate of 28% (2009 28%) | **649,764** |
| Effects of: | |
| Expenses not deductable for tax | **5,216** |
| Capital allowances in excess of depreciation | **(114,783)** |
| Utilisation of tax losses | **-** |
| Share scheme deduction | **(92,661)** |
| Deferred tax asset | **-** |
| Income not chargeable for tax purposes | **540** |
| Total tax – Current Year | **448,077** |

## 3. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders after adjustments for instruments that dilute basic earnings per share by the weighted average of ordinary shares outstanding during the year (adjusted for the effects of dilutive instruments).

The following reflects the income and share data used in the total operations and diluted earnings per share computations.

| | | **2010** | |
|---|---|---|---|
| | **Earnings £ 12 Months** | **Weighted average number of shares** | **Per -share amount pence** |
| **Basic EPS** | | | |
| Earnings attributable to ordinary shareholdings | **1,872,509** | **16,014,856** | **11.69** |
| **Effect of dilutive securities** | | | |
| Options | | **663,776** | |
| **Diluted EPS** | | | |
| Adjusted earnings | **1,872,509** | **16,678,632** | **11.23** |

## 4. NOTES TO CASH FLOW - RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

| Group | **2010 12 Months Actual £** | 2009 12Months Pro-forma £ | 2009 10 Months Actual £ |
|---|---|---|---|
| Profit before tax | **2,320,586** | 1,958,351 | 2,388,789 |
| Depreciation charges | **367,322** | 189,155 | 160,394 |
| Share based payment | **42,000** | 34,378 | 41,541 |
| Foreign exchange | **(40,965)** | 164,654 | (34,628) |
| Finance costs | **16** | 49 | 27 |
| Finance income | **(7,203)** | (31,103) | (10,061) |
| | **2,681,756** | 2,315,484 | 2,546,062 |
| Decease/(Increase) in inventories | **171,855** | (269,398) | (108,104) |
| Increase in trade and other receivables | **(171,692)** | (686,194) | (584,229) |
| Increase in trade and other payables | **305,851** | 508,115 | 319,103 |
| **Cash generated from operations** | **2,987,770** | 1,868,007 | 2,172,832 |

## 5. PUBLICATION OF NON – STATUTORY ACCOUNTS

The financial information for the year ending 31 October 2010 and the period ending 31 October 2009 has been audited but does not constitute full financial; statements within the meaning of section 434 of the Companies Act 2006.

The financial information has been extracted from the Group's 2010 statutory financial statements upon which the auditors opinion is unqualified and does not include and statement under of section 498 of the Companies Act 2006.